

MEMORANDUM FOR DISTRIBUTION

FROM: ELIZABETH E. SMEDLEY
ACTING CHIEF FINANCIAL OFFICER

SUBJECT: Postretirement Benefits Other Than Pensions (PRB)
FY 1997 Information Request

The Department will continue to follow the requirements of Financial Accounting Standards Board (FASB), Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," of December 1990, for reporting and accounting for costs and liabilities associated with contractor PRB and will continue to use nonfund transactions to annually recognize the incremental costs and liabilities (i.e., amounts required beyond "pay-as-you-go" requirements). In this regard, the requirements contained in the attached "Department of Energy Postretirement Benefit Plans, Fiscal Year 1997 Information Request," are applicable to any DOE contractor, whether or not an M&O, for which the Department has a PRB liability. The completed information requests will be used in the development of PRB accrual estimates and the data will be reviewed and compiled by Headquarters with the assistance of our contractual actuarial support in the development of yearend consolidated Departmental disclosures. A copy of the request and diskette should be forwarded to applicable contractors immediately to allow sufficient time to complete the required reporting schedules.

The FY 1997 Information Request has been modified from the FY 1996 request to clarify areas where contractors experienced the most difficulty in completing the requirements and provides, as an attachment to the request, applicable individual contractor disclosure sheets, "9/30/96 Disclosure Information under FAS Statement No. 106," which contain information necessary for the completion of the FY 1997 Information Request. Specifically, the amount on Line E. 5, "9/30/96 Total Accrued Postretirement Benefit

Cost," of the attached disclosure sheet(s) must be used on Table A-1, Line A.1, "Accrued Postretirement Benefit Cost at 9/30/96," of the information request. Also, the required standardized assumptions have been reviewed and updated as needed (e.g., required discount rate selected is 7.75% and required medical trend assumptions have been modified) and instructions are included on the treatment of the unrecognized gains/losses as well as the treatment of settlements and curtailments.

As required in previous requests, the PRB estimates must be developed by the contractors through the use of qualified actuarial support. Two (2) hard copies of the completed submissions should be forwarded to the Office of Financial Policy (CR-20) and one (1) hard copy to Headquarters actuarial support, Jeff Rose, Buck Consultants, Inc., 202 West Berry Street, Suite 700, Fort Wayne, IN 46802, by May 30, 1997. A diskette containing the attached reporting schedules and standardized assumptions (using Lotus 1-2-3 and WordPerfect 5.1 formats) has also been attached. One completed copy of the diskette must be included with contractor submissions to CR-20 and to Buck Consultants, Inc. Any significant deviation to the information request requirements must be justified in writing and submitted to CR-20 for concurrence prior to processing the valuations. It should be noted that we intend to change the formats to MSWord and Excel for future information requests beginning in FY 1998. As requested in this year's information request, contractors should indicate in their response whether or not this presents a hardship.

In addition to the completion of the estimates, as indicated in the Information Request, the submissions should include a description of any plan amendments (i.e., changes in the existing terms of the PRB plan) as well as cost impact data connected with such amendments.

Procedures established by the Office of Departmental Accounting and Financial Systems Development for recording appropriate PRB liabilities shall be followed for recording the accruals. It should also be noted that adjustments to the accrual estimates may be required as additional information becomes available by yearend (e.g., actual employer cash costs for the fiscal year and updated asset information, if applicable).

Please forward the name, phone number, and fax number of a point of contact to the Office of Financial Policy by March 14, 1997.

If you or your staff should have any questions concerning this memorandum, please contact Michael Lynch of my staff on (202) 586-6894.

Attachments

***DEPARTMENT OF ENERGY
POSTRETIREMENT BENEFIT PLANS***

***FISCAL YEAR 1997
INFORMATION REQUEST***

***RESPONSE REQUIRED*
*BY MAY 30, 1997***

SECOND DRAFT

***DEPARTMENT OF ENERGY
POSTRETIREMENT BENEFIT PLANS***

***FISCAL YEAR 1997
INFORMATION REQUEST***

***RESPONSE REQUIRED*
*BY MAY 30, 1997***

TABLE OF CONTENTS

Introduction

Section A. Valuation Results

Table A- 1	Combined Valuation Results
Table A- 2	Postretirement Benefit Obligations
Table A- 3	Number of Participants
Table A- 4	Sensitivity Analysis
Table A- 5	Cash Costs Projection
Table A- 6	Medical Per Capita Claims Costs
Table A- 7	Medicare Part B Per Capita Costs
Table A- 8	Dental Per Capita Costs
Table A- 9	Death Benefit Per Capita Costs
Table A-10	Age Related Claims Tables
Table A-11	Participant Distributions
Table A-12	Summary of Plan Assets

Section B. Summary of Plan Provisions

Table B- 1	Medical Plans
Table B- 2	Medicare Part B Reimbursement, Dental and Life Insurance Plans
Table B- 3	Retiree Medical Plan - Early Retirement Factors - Retiree Flex Plan

Section C. Actuarial Assumptions and Methods

Section D. Additional Disclosure Information

Attachment 9/30/96 Disclosure Information as prepared by the DOE

INTRODUCTION

The following charts and tables will comprise your response to the information request for postretirement benefits other than pensions. All benefits provided to retirees that would fall under the requirements of Financial Accounting Standard No. 106 (FAS 106) should be valued. The following tables and charts have been designed for postretirement medical, dental, Medicare Part B premium and life insurance benefits. You may not modify these tables unless absolutely necessary. For example, Table A-6 is set up to provide per capita claims costs for a comprehensive medical plan. If your plan is a base/major medical type, you would need to modify the columns in order to provide the appropriate information for a base/major medical plan. If you have more than one type of plan (e.g. a comprehensive and a base/major medical plan), you should prepare separate tables for each plan.

MEASUREMENT DATE

The Department of Energy has elected an October 1st measurement date. Therefore, the actuarial valuation should be performed as of October 1, 1996. The information provided by the valuation will determine the annual accounting expense for the fiscal year October 1, 1996, through September 30, 1997. If possible, the underlying claims used to establish the age related claims table should be incurred claims during the period October 1, 1995, through September 30, 1996. Additional years of claims experience may be used to improve the credibility of the claims experience.

As soon as actual claims and administrative expenses paid during the measurement year of October 1, 1996, through September 30, 1997, are known, you should report this information to DOE so that they can determine their accrued expense account and close their books for the fiscal year ending September 30, 1997.

AMOUNTS TO BE RECORDED AS A NONFUND TRANSACTION

When the valuation has been completed and reviewed by the DOE, you will record the amount on line A5, "Estimated amount to be recorded as a nonfund liability for fiscal year 1997," of Table A-1 in the appropriate nonfund account in accordance with instructions provided by the DOE. The amount calculated will be an estimate pending the availability of the actual cash costs for the period 10/1/96 - 9/30/97, or other additional information required at year end.

INTRODUCTION (continued)

DEVELOPMENT OF CLAIMS

The underlying claims tables should be produced on an incurred basis. If possible, claims incurred during the period October 1, 1995, through September 30, 1996, and paid during that year, or subsequently, should form the basis of the development of the claims table. The claims collected during this period should be increased by a reasonable trend assumption to create the claims table for the valuation year October 1, 1996, through September 30, 1997. A description of the trend assumption adjustment must be provided.

Experience for prior periods may be considered if relevant and if it is adjusted forward appropriately for medical trends and utilization. If prior periods are used, a description should be provided that describes how they were blended with the October 1, 1995, through September 30, 1996, claims to produce the per capita claims costs.

It is preferred that the claims tables be prepared on a gross basis. If claims are only available on a net basis (i.e., after reduction for deductibles, coinsurance, provider savings, Medicare, etc.) or if gross claim information is unreliable, a net claims basis is permitted with one condition. **That is, an adjustment must be made to the trend rates to recognize that plan deductibles and out of pocket maximums may not be increasing at the same rate as medical cost.**

If you make such an adjustment, you must provide a description of it. If you are only able to obtain annual premiums, you should at least have one for age 65 and over claims and one for under age 65 claims. The premium for under age 65 claims (this includes HMOs) must be adjusted for an early retiree group (i.e., it must not be a blended rate with the active employees). These premiums must then either be adjusted to a gross basis or to a net basis with adjustment in the trends as described above.

After the gross or net claims are created, an age related claims table should be produced for the various components. An example of components would be general medical costs, prescription drugs, Medicare payments, etc.

It is required that you submit a narrative description on how you developed the age related gross claims tables from your raw data. Examples of issues to cover in your narrative in addition to those required above are as follows:

- Adjustments that were made for individuals who retired or died during the measurement year;
- Adjustments that were made to create a claims table for disabled employees (please note that only claims after age 65 should be valued for disabled employees);

INTRODUCTION (continued)

- Adjustments that were made for retirees who submitted no claims during the measurement period;
- Adjustments that were made to recognize provider savings;
- Etc.

Also describe any changes in the methodology since the last valuation and give the reasons for the changes.

COORDINATION WITH MEDICARE

A narrative description and numerical example of how your postretirement medical plans coordinate with Medicare is required. Indicate if there was a change from the last valuation.

ACTUARIAL ASSUMPTIONS

The tables in Section C provide examples of different types of actuarial assumptions that may be used in your valuation. Please note that you may not need to use all the different types of actuarial assumptions, or that there may be additional actuarial assumptions which you will use because of your particular situation. However, in order to provide some consistency between the various DOE contractors, you are required to use certain actuarial assumptions. The following table sets forth the required assumptions. If you are in disagreement with any of the required assumptions, please contact DOE so that your concerns may be addressed. It is anticipated that you will use your pension actuarial assumptions for demographics assumptions other than healthy mortality, such as termination of employment, incidence of disability, disability mortality, salary scale for postretirement life insurance, etc.

Please note that there are two options for medical trend assumptions. The option is dependent upon whether or not the medical plans use a point of service design, HMO or some other design. The point of service plans and HMOs provide more managed care; therefore, the required medical trend assumptions are lower for these than other plans. Please indicate the type of plan design present in each of your postretirement medical plans. Also note there is a separate trend for dental benefits. These trends should be used if you can separately value the dental benefits from the medical benefits. **Please note that the required medical trend assumptions have been modified slightly from prior years.** You must provide a table showing what medical trend assumptions you used and a description of the plan of benefits to which they were applied. You may refer to the plan name used in Section B.

If the contractor is also submitting a response to the "Pension Benefit Plans Fiscal Year 1997 Information Request," the demographic assumptions should be consistent with one another.

INTRODUCTION (continued)

STANDARDIZED ACTUARIAL ASSUMPTIONS					
I.	Medical Trend Point of Service Plans, HMOs or Similar Plans		Medical Trend PPOs, Traditional Indemnity, or Similar Plans		Dental Trend
Year*	Medical <65 and All Drugs	Medical ≥65 and Medicare	Medical <65 and All Drugs	Medical ≥65 and Medicare	All Ages
	%	%	%	%	%
1996	8.50	7.00	11.00	9.50	7.50
1997	8.00	6.75	10.00	8.75	7.00
1998	7.50	6.50	9.00	8.00	6.50
1999	7.00	6.25	8.00	7.25	6.25
2000	6.50	6.00	7.00	6.50	6.00
2001	6.00	5.75	6.00	6.00	5.75
2002 and later	5.50	5.50	5.50	5.50	5.50
II.	Discount Rate				7.75%
III.	Mortality				1983 GAM

- * Actual medical claims for the period through September 30, 1996, should be adjusted to the midpoint of the year ending September 30, 1997, using a reasonable trend rate that you select and describe. Then the 1996 trend (first line of the table) must be used to adjust claims from the midpoint of the year ending September 30, 1997, to the midpoint of the year ending September 30, 1998. Trends for later years in the table must be used to project claims each year beyond.

INTRODUCTION (continued)

PLAN CHANGES

If there have been any changes in plan benefits since the last valuation, you should describe the changes and their accounting treatment in accordance with FAS 106. An example of the information to include for a plan improvement is a description of the plan change, the amount of the increase in the unrecognized prior service cost and its amortization period and payment.

SAMPLE LIFE TEST

It will not be required that you submit sample life tests with your response to the information request, in general, this year. They may be requested at a later date on an individual Contractor basis. They will be required again in a future year to be determined.

REPLACEMENT ACTUARY

If this year's valuation will be completed by a different actuarial firm, it is required that the replacement actuary obtain a copy of the prior year's data and valuation report and attempt to reproduce the prior year's valuation results. If the APBO and Net Periodic Postretirement Cost recalculated by the replacement actuary both differ by less than 5% from the prior actuary's results, the methods and assumptions of the actuaries will be assumed to be consistent. State this finding in the response to the information request.

If either differs by more than 5%, the differences in the two values must be reconciled to within 5%. Attach an explanation of the reconciliation process and the magnitude and reason(s) for the difference. Describe which methods and assumptions are being used for this year's valuation by the replacement actuary.

VALUATION REPORT

The required information described above and the completed following tables and charts should be submitted to the Department of Energy as soon as possible, but no later than May 30, 1997. The information submitted in the valuation reports and any additional information required at year end will be used as the basis for accruing a FAS 106 liability and the development of consolidated Departmental footnote disclosures with the assistance of Headquarters actuarial support. It is imperative that you discuss any concerns or ask any questions you may have as you go through your valuation so that your work can be performed efficiently and you can provide DOE with the required information.

INTRODUCTION (continued)

Please note: there have been a number of minor modifications to the tables and charts.

The current exhibits are in WordPerfect and Lotus. The 1998 information request will be in MSWord and Excel. If this presents a hardship to you, please indicate in this year's information response that you are unable to use MSWord and Excel in 1998.

ADDITIONAL INFORMATION REQUIRED AT YEAR END

Since your response to the information request is due well before year end, there are several other pieces of information that you must provide at year end. You must:

- Provide the actual employer cash costs for the year 10/1/96 - 9/30/97;
- Provide a description of any settlements or curtailments not previously reported and the related financial information as required by FAS 106 (see Section D);
- If there are plan assets, provide the actual dollar amount of the return on assets for the period 10/1/96 - 9/30/97 and the amount of plan assets as of 9/30/97; and
- Describe any other material event that may affect the financial results with regard to postretirement benefits other than pensions.

Please provide the information as described above as soon as it is available. Indicate the date you expect the information to be available in your initial response to the information request.

SECTION A

VALUATION RESULTS

The following tables provide the framework to report the valuation results for the postretirement benefits other than pensions. The Department of Energy's (DOE) fiscal year runs from October 1 to September 30. DOE has chosen a measurement date of October 1. Therefore, the valuation date is October 1, 1996. Information should be provided on all postretirement benefits other than pensions. Information on pensions will be collected in a separate request. The following exhibits are set up to include medical benefits, Medicare Part B premium reimbursements, dental benefits and life insurance benefits. If additional benefits are offered (i.e., educational assistance, legal assistance, etc.), information for them should be provided in the same format.

The tables of numerical information have been left blank. The tables describing the plan's provisions and actuarial assumptions in the following sections have been completed as an example, with hypothetical benefit plans and actuarial assumptions. All tables must include the contractor's name. Please see the Introduction for a description of required actuarial assumptions.

Table A-1 summarizes the results of the October 1, 1996, valuation. The information included is the Development of the Accrued Postretirement Benefit Cost, the EPBO, the APBO and the Net Periodic Postretirement Benefit Cost for the period October 1, 1996, through September 30, 1997. If there are any assets which meet the requirements to be counted as assets as set forth in Financial Accounting Standard No. 106 (FAS 106), they should be recorded in line C.6. If any settlements or curtailments occurred during the year, please describe and provide any additional valuation results as required in Section D. The actuarial gains and losses resulting from changes in the discount rate, as well as all other unrecognized gains and losses, should only be amortized to the extent they exceed the 10% corridor as provided in FAS 106.

Table A-2 provides a more detailed breakdown of the EPBO and APBO.

Table A-3 contains participant counts as of October 1, 1996.

Table A-4 provides sensitivity analysis for each of the healthcare benefits that are affected by medical trend. If possible, the sensitivity analysis for the retirees prescription drug plan should be separated from the medical plan. **Do not provide information for plans not affected by medical trend (e.g. life insurance).**

SECTION A

VALUATION RESULTS *(continued)*

Table A-5 provides a 75 year cash flow projection of claims and administrative costs. You may use a longer cash flow projection, but not a shorter one. The first column, entitled Medical, is the net claims cost after reduction for provider savings, Medicare, deductibles, coinsurance and copays. The second column, Prescription Drugs, is also after any deductibles, coinsurance or copays. The third column, Employee Contributions, is the annual amount that retirees must contribute towards the cost of their coverage. The net medical column is the sum of the Medical and Prescription Drugs less employee contributions. The remaining columns contain the cash flow projections for dental, life insurance and Medicare Part B. The final column sums the plans for a total cash cost. On the first line of the Table, you must provide the present value at 7.75% of the payouts in each column and verify that the present value matches the EPBO by plan on Table A-2.

Table A-6 provides the actual per capita retiree net company medical cost for the year October 1, 1995, through September 30, 1996. The amounts should include the information for current retirees (including disableds who have attained age 65), their spouses and surviving spouses. Do not include costs during the period when any employee was active. The information starts with the gross medical claim, the gross drug claim, reduced by provider savings, reduced by Medicare payments, reduced by the plan's deductible, coinsurance and copays to equal net claims cost. Net claims cost is then reduced by retiree contributions to arrive at company paid claims cost. Company paid claims cost is then increased by administrative costs to equal total company paid cost. This table was for a comprehensive plan design as an example. You should adjust it for your particular plan design. If you have more than one medical plan, separate tables should be provided for each plan and labeled appropriately. Tables A-7 through A-9 provide similar cost information for Medicare Part B, Dental and Life Insurance benefits, respectively. Note that projections of this information are not required this year. Projections may be required again in future years or on an individual Contractor basis in certain situations. Describe any significant differences between the per capita amounts of Table A-6 and the corresponding average age entries in Table A-10.

Table A-10 provides the initial age related claims table for the period October 1, 1996, through September 30, 1997, for each age related medical plan benefit. A medical benefit that usually is not age related is dental. However, if you do have an age related dental claims table, please provide it; otherwise, state the initial dental claim that you used in your calculations. These tables should provide the gross per capita claims cost. If gross per capita claims cost differs between retirees and spouses, separate tables should be provided. Also, separate tables should be provided for each plan of benefits. As an example, Table A-10 provides a schedule for a base major medical plan.

Table A-11 provides age and service distributions for actives by sex and age distributions for retirees, retiree spouses and surviving spouses by sex.

SECTION A
VALUATION RESULTS (continued)

Table A-12 requests information concerning plan assets under FAS 106. The top section of the chart is for actual receipts and disbursements for the past year. The bottom section requests a summary of the assets by major asset class. If necessary, the charts should be modified to fit your particular situation. If the plan does not have assets meeting the requirements of FAS 106, the chart should be marked as not applicable.

SECTION B

SUMMARY OF PLAN PROVISIONS

The following charts have been completed as an example. Please complete them for your particular situation. Describe any plan changes that have been approved and provide their effective date. Also provide details of any future changes that have been communicated to employees (e.g. deductibles and/or retiree contributions increasing annually with medical inflation). Include the contractor name on each exhibit.

Contractor Name:

SECTION B

SUMMARY OF PLAN PROVISIONS

TABLE B-1 MEDICAL PLANS

Medical - Old Method Program	Coverage	Participant Payments	Contributions	Eligibility
Basic and Major Medical - \$300 Plan	Basic: < Hospital Coverage < Surgical/Medical < Diagnostic Major Medical: < Doctor Office Visits < Medical Equipment < Prescription Drugs Lifetime Maximum: < \$1,000,000 per person	Basic: < None Major Medical: < Deductible - \$300 per person < Copayment - 20% of the next \$5,000 < Out-of-pocket limit - \$1,300 per person	Retirees: < None Eligible Dependents: < About 50% of cost	Pre-January 1, 1993 retirees, their eligible dependents and eligible surviving dependents of eligible participants.
Footnotes: Plan Changes: The deductible will be increased to \$400 effective October 1, 1997.				

Contractor Name:

SECTION B

SUMMARY OF PLAN PROVISIONS (continued)

TABLE B-1 MEDICAL PLANS

Medical - Retiree Flex	Coverage	Participant Payments	Contributions	Eligibility
Basic and Major Medical	Basic: < Hospital Coverage < Surgical/Medical < Diagnostic Major Medical: < Doctor Office Visits < Medical Equipment < Prescription Drugs Lifetime Maximum: < \$1,000,000 per person	Basic: < None Major Medical: < Deductible - \$300 per person < Copayment - 20% of the next \$5,000 < Out-of-pocket limit - \$1,300 per person	Retirees: < None for employees who retire at age 65 with 35 years of service and elect the Comprehensive - \$300 Plan. All others pay a contribution based on which Plan they elect and their actual age and years of service at retirement. (Age and service imputed to age 65 for retirees who were former LTD individuals.) Eligible Dependents: < About 50% of cost of the Comprehensive - \$300 Plan, if the employee retires at age 65 and 35 years of service; more if the employee retired before age 65 and/or with less than 35 years of service. (Age and service imputed to age 65 for retirees who were former LTD individuals.)	January 1, 1993 and later retirees, their eligible dependents, and eligible surviving dependents of eligible participants. Pre-January 1, 1993 retirees who elect to participate, their eligible dependents and eligible surviving dependents of eligible participants.
Footnotes: Plan Changes:				

Contractor Name:

SECTION B

SUMMARY OF PLAN PROVISIONS (continued)

TABLE B-1 MEDICAL PLANS

Medical - Retiree Flex	Coverage	Participant Payments	Contributions	Eligibility
Comprehensive - \$400 Plan	<ul style="list-style-type: none">< Hospital Coverage< Surgical/Medical< Diagnostic< Doctor Office Visits< Medical Equipment <ul style="list-style-type: none">< Prescription Drugs <p>Lifetime Maximum:</p> <ul style="list-style-type: none">< \$1,000,000 per person	<ul style="list-style-type: none">< Deductible - \$400 per person< Copayment - 20% of the next \$6,000< Out of pocket limit - \$1,600 per person< Out of pocket limit - \$3,200 per family <ul style="list-style-type: none">< \$6.00 per prescription	<p>Retirees:</p> <ul style="list-style-type: none">< None for employees who retire at age 65 with 35 years of service and elect the Comprehensive - \$400 Plan. All others pay a contribution based on which Plan they elect and their actual age and years of service at retirement. (Age and service imputed to age 65 for retirees who were former LTD individuals.) <p>Eligible Dependents:</p> <ul style="list-style-type: none">< About 50% of cost of the Comprehensive - \$400 Plan, if the employee retires at age 65 and 35 years of service; more if the employee retired before age 65 and/or with less than 35 years of service. (Age and service imputed to age 65 for retirees who were former LTD individuals.)	<p>Pre-January 1, 1993 retirees, their eligible dependents and eligible surviving dependents of eligible participants.</p> <p>January 1, 1993 and later retirees, their eligible dependents and eligible surviving dependents of eligible participants.</p>
Comprehensive - \$800 Plan	<ul style="list-style-type: none">< Hospital Coverage< Surgical/Medical< Diagnostic< Doctor Office Visits< Medical Equipment< Prescription Drugs <p>Lifetime Maximum:</p> <ul style="list-style-type: none">< \$1,000,000 per person	<ul style="list-style-type: none">< Deductible - \$800 per person< Copayment - 25% of the next \$6,000< Out-of-pocket limit - \$2,300 per person< Out-of-pocket limit - \$4,600 per family< \$8.00 per prescription		
Footnotes: Plan Changes:				

Contractor Name:

SECTION B

SUMMARY OF PLAN PROVISIONS (continued)

TABLE B-1 MEDICAL PLANS

Medical - Retiree Flex	Coverage	Participant Payments	Contributions	Eligibility
Health Maintenance Organization	<ul style="list-style-type: none"> < Hospital Coverage < Surgical/Medical < Diagnostic < Doctor Office Visits < Medical Equipment < Prescription Drugs 	<ul style="list-style-type: none"> < Deductible - None < Copayment - Varies by HMO < Out of pocket limit - Not applicable <p>Prescription copayments vary by HMO</p>	<p>Retirees:</p> <ul style="list-style-type: none"> < Are based on the difference in cost between the Comprehensive - \$400 Plan and the cost of the Plan they elect. The amount also varies based on their actual age and years of service at retirement. (Age and service imputed to age 65 for retirees who were former LTD individuals.) <p>Eligible Dependents:</p> <ul style="list-style-type: none"> < About 50% of cost of the Comprehensive - \$400 Plan, if the employee retires at age 65 and 35 years of service; more if the employee retired before age 65 and/or with less than 35 years of service. (Age and service imputed to age 65 for retirees who were former LTD individuals.) 	<p>Pre-January 1, 1993 retirees, their eligible dependents and eligible surviving dependents of eligible participants.</p> <p>January 1, 1993 and later retirees, their eligible dependents and eligible surviving dependents of eligible participants.</p>
<p>Footnotes:</p> <p>Plan Changes:</p>				

Contractor Name:

SECTION B

SUMMARY OF PLAN PROVISIONS (continued)

TABLE B-2 MEDICARE PART B REIMBURSEMENT, DENTAL AND LIFE INSURANCE PLANS

Plan	Coverage	Participant Payments	Contributions	Eligibility								
Medicare Part B	Monthly benefit of \$46.10.	Not applicable.	None.	Retirees age 65 and older.								
Dental	<p>< Diagnostic and preventive services covered at 100% of reasonable and customary amount.</p> <p>< Restoration services follow a fixed schedule. Maximum benefit: \$1,500 per person per year.</p>	<p>Diagnostic and preventive:</p> <p>< None.</p> <p>Restorative:</p> <p>< \$30 deductible per person.</p>	None.	Retirees and their eligible dependents. Coverage ceases upon the death of the retiree.								
Life Insurance < Pre-January 1, 1993 Retirees	<p>Based on level of coverage selected as active employee:</p> <p>Active:</p> <p>\$15,000 1 x pay 2, 3, 4 x pay</p> <p>Retiree:</p> <table><tr><td><u>Under 65</u></td><td><u>65 & Older</u></td></tr><tr><td>\$15,000</td><td>\$15,000</td></tr><tr><td>1 x pay</td><td>1 x pension</td></tr><tr><td>2 x pay</td><td>2 x pension</td></tr></table>	<u>Under 65</u>	<u>65 & Older</u>	\$15,000	\$15,000	1 x pay	1 x pension	2 x pay	2 x pension	Not applicable.	None; however, retirees may pay tax on imputed income if the life insurance amount exceeds \$50,000.	Retired employees.
<u>Under 65</u>	<u>65 & Older</u>											
\$15,000	\$15,000											
1 x pay	1 x pension											
2 x pay	2 x pension											
Footnotes: Plan Changes:												

Contractor Name:

SECTION B

SUMMARY OF PLAN PROVISIONS (continued)

TABLE B-2 MEDICARE PART B REIMBURSEMENT, DENTAL AND LIFE INSURANCE PLANS

Plan	Coverage	Participant Payments	Contributions	Eligibility
Life Insurance (cont'd) < January 1, 1993 and Later Retirees	Based on level of coverage selected as active employee: <u>Active</u> \$20,000 1 x pay 2, 3, 4, 5 x pay <u>Retiree</u> \$15,000 1 x pension 2 x pension	Not applicable.	None; however, retirees may pay tax on imputed income if the life insurance amount exceeds \$50,000.	Retired employees.
Footnotes: Plan Changes:				

Contractor Name:

SECTION B

SUMMARY OF PLAN PROVISIONS (continued)

TABLE B-3 RETIREE MEDICAL PLAN EARLY RETIREMENT FACTORS -- RETIREE FLEX PLAN

Years of Service	Age at Retirement				
	65	62	60	57	55
35	1.00	0.95	0.90	0.80	0.70
33	0.90	0.85	0.80	0.70	0.60
32	0.80	0.75	0.70	0.60	0.50
30	0.70	0.65	0.60	0.50	0.40
25	0.60	0.55	0.50	0.40	0.30
20	0.50	0.45	0.40	0.30	0.20
The early retirement factors show the proportion of the cost of coverage under the Comprehensive - \$400 Plan that the Company pays for the employee's coverage based on the employee's age at retirement and years of service at retirement.					

SECTION C

ACTUARIAL ASSUMPTIONS AND METHODS

The actuarial assumptions are used to estimate the number of employees who reach retirement, the annual net cost per retiree to the Company of postretirement benefits other than pensions and the period of time during which the benefits will be paid, and to discount these future payments for the time value of money.

The following charts have been completed as an example. Please complete them for your particular situation. The required actuarial assumptions were described in the Introduction.

Describe any assumption changes made since the last valuation. Provide an estimate of their effect on the EPBO, the APBO, the Service Cost and the Expected Benefit Payouts.

State how deductibles, copays, out-of-pocket maximums and retiree contributions are each assumed to increase. Also state whether the increase has been communicated to employees. Include the contractor name on each exhibit.

If the contractor is also submitting a response to the "Pension Benefit Plans Fiscal Year 1997 Information Request," the demographic assumptions should be consistent with one another.

Contractor Name:

SECTION C

ACTUARIAL ASSUMPTIONS AND METHODS (continued)

ACTUARIAL ASSUMPTIONS

ECONOMIC ASSUMPTIONS

Assumption	Purpose/Issue	Value Used
Discount Rate	Used to discount future payments to a present value, allowing for the time value of money.	7.75%
Salary Scale	Used to project current pay to determine the Life Insurance Benefit.	Pension Rates.
Expected Long-Term Rate of Return on Plan Assets	Used to compute the expected return on plan assets	Rate reflecting the average rate of earnings expected on plan assets consistent with the other economic assumptions

DEMOGRAPHIC ASSUMPTIONS

Assumption	Purpose/Issue	Value Used
Withdrawal	Used to determine the number of employees who leave before becoming eligible for Postretirement Benefits.	Pension rates.
Mortality	Used to determine the number of employees and disabled individuals who die before retirement and the life expectancy of retirees.	Healthy Retiree: 1983 GAM. Disabled Individuals: 1965 Railroad Retired Board Totally Disabled Annuitants Mortality Table up to age 64. A five year setback is used for females. A disabled individual's status is changed to retiree when he/she reaches age 65. The mortality rates for these individuals after age 65 are the same as healthy retirees.

Contractor Name:

SECTION C

ACTUARIAL ASSUMPTIONS AND METHODS (continued)

ACTUARIAL ASSUMPTIONS

DEMOGRAPHIC ASSUMPTIONS

Assumption	Purpose/Issue	Value Used
Disability	Used to determine the number of employees who become disabled. Disabled employees are eligible for benefits if they become disabled after attaining ten years of service. Benefits commence when the disabled individual reaches age 65.	Social Security Study gender and age specific.
Retirement	Used to determine when employees retire after becoming eligible.	Rates of retirement are assumed between ages 55 and 65. (State the rates by age.)
Proportion Married	Used to reflect actual marital status at retirement (may be different from current).	80% of active male employees and 40% of active female employees were assumed to be married at retirement.
Husband/Wife Age Difference	Actual data can be collected for current retirees; however, this assumption is needed for future retirees.	Husbands assumed to be three years older than wives.
Election of Health Care Coverage	Current retirees may choose to enroll in the Old Medical Program or Retiree Flex. All future retirees are included in Retiree Flex.	85% of employees retiring prior to January 1, 1993 are assumed to remain in the Old Medical Program. 15% of employees retiring prior to January 1, 1993 are assumed to elect Retiree Flex. 100% of employees retiring after January 1, 1993 are required to be in Retiree Flex.

Contractor Name:

SECTION C

ACTUARIAL ASSUMPTIONS AND METHODS (continued)

ACTUARIAL ASSUMPTIONS

DEMOGRAPHIC ASSUMPTIONS

Assumption	Purpose/Issue	Value Used
Waiver of Participation	Retirees' spouses may choose to receive coverage under a different plan.	No current retirees are assumed to waive participation. 20% of retiree spouses for active employees currently under 40 years old, and 10% of retiree spouses for active employees now between 40 and 49 years old, are assumed to waive participation under the Plan.

ATTRIBUTION PERIOD

Benefit	Purpose	Period
Medical	The process of assigning Postretirement Benefit Cost to periods of employee service.	Date of hire to Full Eligibility Date.
Medicare Part B Premium Reimbursement		Date of hire to age 55 and the completion of 15 years of service, or date of hire to age 65 and the completion of 5 years of service.
Retiree Dental		Same as Medicare Part B premium reimbursement.
Retiree Life Insurance		Same as retiree Medical Plan.

Contractor Name:

SECTION C

ACTUARIAL ASSUMPTIONS AND METHODS (continued)

ACTUARIAL ASSUMPTIONS

MEDICAL ASSUMPTIONS

Assumption	Purpose/Issue	Value Used
Baseline Health Care Cost	FAS 106 permits two basic methodologies. A gross claims methodology, outlined in Paragraph 35 and a net premium (paid claims) approach described in Paragraph 41.	A gross claims approach was used for the Medical Plans.
Health Care Cost Trend Rate	The rate by which health care costs are expected to increase annually.	Use required Trend Rate Table in the Introduction. (State which table used and adjustments made.)
Medicare	For retirees enrolled in Medicare, a portion of the claims are paid by Medicare.	Valued explicitly.
Other Health Care Providers	Coordination of benefits payments may lead to lower Plan costs as more working spouses obtain coverage in retirement.	Valued explicitly. Integrated with Medicare using Medicare Exclusion and by using a Waiver of Participation assumption.
Effective Deductible	Portion of gross claim assumed to be paid by retiree through Plan deductible.	Depends on Plan.
Effective Copayment	Portion of gross claim assumed to be paid by retiree through coinsurance.	Depends on Plan.
Retiree Contributions	Retirees pay a portion of the benefit cost.	Depends on date of retirement, Plan, age and service at retirement.
Expenses	FAS 106 footnote 15 states "if significant, the internal and external costs directly associated with administering the Postretirement Benefit Plan also should be accrued as a component of assumed per capita claims costs".	Initial Medical Plan per capita cost of \$100.00 per year for the Comprehensive - \$400 Plan, and \$110.00 per year for the Basic and Major Medical - \$300 Plan. Initial Dental Plan per capita cost of \$20.00 per year.

Contractor Name:

SECTION C

ACTUARIAL ASSUMPTIONS AND METHODS (continued)

ACTUARIAL ASSUMPTIONS

Age	Retirement Unisex %	Company A Withdrawal Unisex %	Company B Withdrawal Unisex %	Healthy Mortality		Disabled Mortality Ultimate ¹ %	Disability Incidence		Salary Increase Unisex %
				Male %	Female %		Male %	Female %	
25	-	7.50	11.6242	0.049	0.027	4.396	0.132	0.071	5.00
35	-	4.50	10.5540	0.091	0.050	4.406	0.220	0.190	5.00
40	-	3.75	9.3957	0.137	0.072	4.412	0.314	0.280	5.00
45	-	3.00	7.5447	0.247	0.112	4.481	0.476	0.412	5.00
50	-	2.25	4.8333	0.432	0.179	4.864	0.774	0.660	5.00
51	-	1.80	4.1842	0.476	0.195	5.008	0.861	0.730	5.00
52	-	1.35	3.5271	0.520	0.212	5.178	0.966	0.809	5.00
53	-	0.90	2.8834	0.566	0.232	5.384	1.095	0.908	5.00
54	-	0.45	2.2762	0.613	0.254	5.614	1.245	1.026	5.00
55	10.0	-	-	0.662	0.280	5.923	1.407	1.147	5.00
56	2.0	-	-	0.714	0.310	6.137	1.573	1.255	5.00
57	2.0	-	-	0.772	0.344	6.411	1.734	1.335	5.00
58	2.0	-	-	0.838	0.382	6.691	1.889	1.350	5.00
59	2.0	-	-	0.916	0.424	6.969	2.046	1.366	5.00
60	5.0	-	-	1.010	0.470	7.252	2.202	1.381	5.00
61	5.0	-	-	1.110	0.521	7.536	2.360	1.397	5.00
62	30.0	-	-	1.240	0.578	7.814	2.519	1.412	5.00
63	10.0	-	-	1.370	0.634	8.097	2.675	1.466	5.00
64	10.0	-	-	1.560	0.706	8.378	2.829	1.335	5.00
65	100.0	-	-	1.758	0.782	2	2.986	1.614	5.00

- ¹ Five year set back for females, i.e., a female aged 30 has a disability mortality incidence of a 25 year old male.
² From age 65, same as healthy mortality.

Contractor Name:

SECTION C

ACTUARIAL ASSUMPTIONS AND METHODS (continued)

ACTUARIAL ASSUMPTIONS

DENTAL and EXPENSE ASSUMPTIONS

Component	Assumption Used
Medical Administrative Expense	5% for each year.
Medicare Part B Premium Reimbursement	Medicare Part B premiums increase as authorized through legislation for the 1993-1995 period and at the Medical Medicare trend thereafter.
Dental Claims and Administrative Expense	5% for each year.
Life Insurance Administrative Expense	5% of life insurance claims in each year.

Contractor Name:

SECTION D

ADDITIONAL DISCLOSURE INFORMATION

To assist with the preparation of an accurate and timely FAS 106 disclosure, please complete the following information even if it is provided elsewhere in your response:

PLAN PROVISIONS

Indicate which types of benefits are covered by your FAS 106 valuation. (Check all that apply):

- ☐ Medical benefits
☐ Dental benefits
☐ Life insurance benefits
☐ Medicare Part B Premium reimbursement

For the medical plan(s), indicate how many plans are of each type:

- ☐ Point of Service, HMO or similar types of plans
☐ PPO, Traditional Indemnity or similar types of plans

FUNDING POLICY

For each type of benefit covered by your FAS 106 valuation, circle the funding arrangement:

Medical Benefits:	Nonfunded	401(h)	VEBA	Other
Dental Benefits:	Nonfunded	401(h)	VEBA	Other
Life Insurance Benefits:	Nonfunded	401(h)	VEBA	Other
Medicare Part B Premium Reimbursement:	Nonfunded	401(h)	VEBA	Other

For those benefits which are funded, please describe the funding policy:

Contractor Name:

SECTION D

ADDITIONAL DISCLOSURE INFORMATION (continued)

OTHER ECONOMIC ASSUMPTIONS

The expected long term rate of return on plan assets is _____%.

SETTLEMENTS AND CURTAILMENTS

If there have been any settlements or curtailments during the past year (or if one is expected to occur before October 1, 1997), please describe in a separate attachment and provide the financial information required by FAS 106. An exhibit should be provided as described in the illustrations in Appendix C of FAS 106. Curtailments include, but are not limited to, plant closings, discontinuing a segment of the business, layoffs, early retirement windows, benefit cutbacks and reductions in the future accrual of benefits. Settlements include, but are not limited to, lump sum payouts to participants in exchange for the right to receive postretirement benefits and purchases of nonparticipating insurance contracts to cover some or all of the benefits.

Circle one: No settlements or curtailments Description attached

After you submit your response, if a settlement or curtailment occurs, please notify the DOE immediately and then submit a description of the event and the financial information required by FAS 106 as soon as possible.

OTHER

If applicable, describe the amounts and types of securities of the employer and related parties included in plan assets and the approximate amount of future annual benefits of plan participants covered by insurance contracts issued by the employer and related parties:

If applicable, describe the cost of providing special or contractual termination benefits recognized during the period and a description of the nature of the event(s):
